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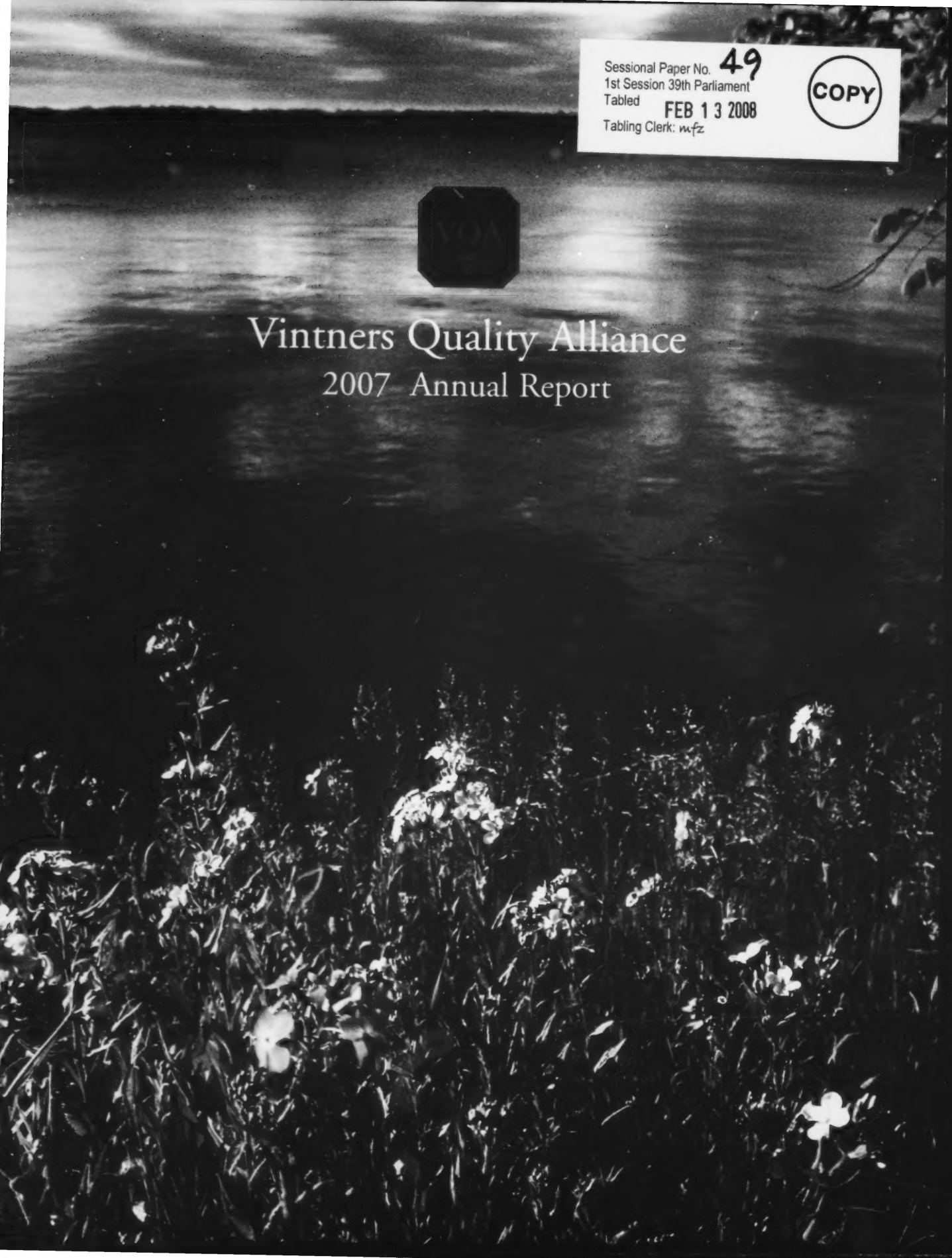
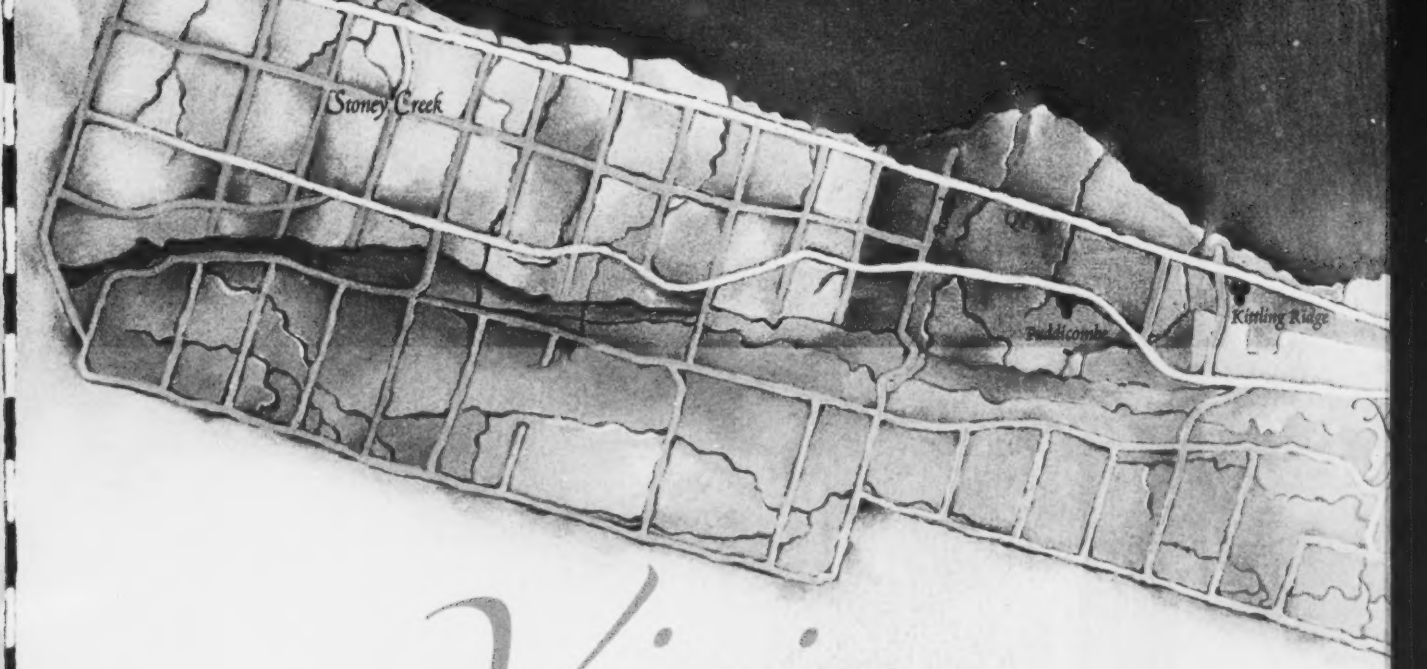


Vintners Quality Alliance

2007 Annual Report



Vision

VQA Ontario will regulate with integrity and rigour and strive for continuous improvement in its practices. VQA wines will be appellation wines of high quality, representing comprehensive process and authenticity standards.

Values

Integrity and Fairness – VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications – VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement appropriate policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of VQA wines to consumers.

Firmness and Responsibility – VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Accountability – VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness – VQA Ontario will strive to carry out efficient and cost-effective operations, and continue to pursue service improvements in all areas of operations.

Cover Photo: Summer Phlox was taken at first light between Wellington and Bloomfield in Prince Edward County.

MESSAGE FROM THE CHAIR

Greg Bertin
President and Chair

This year, I would like to highlight the two strategic objectives that we have been striving for - establishing the importance of origin and improving quality.

There is growing interest in wine origin around the world and sophisticated wine consumers are seeking out wine that comes from a specific place. New world wine regions are moving quickly to define and protect their appellations. Recent developments in the United States, from the Napa Valley court ruling that mandated Napa content for wines labeled as such, to the formation of the Center for Wine Origin, put origin in the spotlight. Appellation is what makes our wine unique within a highly diverse and competitive market and why VQA Ontario plays an important role in ensuring truth-in-labelling when it comes to declaring origin.

The new sub-appellations within Niagara Peninsula provided an excellent opportunity to promote origin and all of the unique growing regions within Ontario. A consumer friendly map of the new appellations was created in partnership with the Wine Council and released in June of 2006. The response to the map was very positive, especially from wine media and licensees. A number of events were held, including training for winery staff and licensees. In June of 2007, Prince Edward County was designated as a new appellation. These events have helped raise awareness of the importance of origin and to establish a special place for Ontario's regions in the world of wine.

On the quality front, VQA Ontario has been seeking ways to support its member wineries in their quest to continuously impro quality. In 2006, historical data from the VQA Tasting Panel was analysed to assist winemakers in benchmarking their individual performance. Aggregate data was also reviewed to evaluate stre and weaknesses within the industry as a whole. This inaugur report provided a wealth of information and will be an ongoin for assessing potential areas for research and improved techniqu achieve high quality wines. Member feedback to the report wa encouraging and this analysis will be conducted each year.

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In February of 2007, Terry Mundell resigned from the Board of Directors after almost 7 years as a Director representing the Ontario Restaurant, Hotel and Motel Association (ORHMA), to move on to another position. Terry made a great contribution to the Board and will be sorely missed. I extend our thanks for Terry's long service and wise counsel. I also thank Ron Speranzini of Willow Heights Winery who left the Board earlier this year. His able contributions will also be missed.

Our many positive achievements last year would not have been realized without the support of our member wineries, the Ministry of Government Services, the LCBO and many other stakeholders. I am also grateful for the efforts of the VQA staff and all those who contributed to the success of our appellation system.

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The Board of Directors also undertook continuing improvements in governance, introducing an evaluation process for Board skills and performance, and tools to support more effective decision-making by the Board.

Of course many other core activities continued throughout the year. The majority of staff effort was devoted to carrying out regulatory responsibilities and ensuring compliance with VQA rules and regulations. Early in 2007, VQA Ontario secured its first two convictions under the VQA Act; a significant measure in support of the integrity of the appellation system.

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EXECUTIVE DIRECTOR'S REPORT

Wines of origin in Ontario, better known as VQA wines, continue to grow and prosper. Notwithstanding recent vintage challenges, the number of wineries participating in VQA continues to grow and the appellation system is maturing with them. The 12 new appellations established in late 2005 are gaining a foothold on labels and the new Prince Edward County appellation was also recently approved. Although it was a challenging time with widespread shortages in VQA supply, the year ended on a positive note with the 2006 vintage emerging and increasing recognition of the importance of appellation and origin.

At the staff level, the core business activities of wine testing and tasting, label review and audit and enforcement remain a top priority. Activity last year reflects the small harvest in 2005 although there was some recovery beginning late in the year. In brief:

- Wine approvals were down from 993 to 879 wines
- Total volume of wine approved was down from 16.2 million litres to 11.9 million litres
- Registered juice for Late Harvest and Icewine juice was up to almost 1.2 million litres, doubling from the 2005 vintage last year and breaking all previous records

On the enforcement side, VQA Ontario focused on protecting the integrity of appellation terms. In December 2006, charges were laid under the VQA Act for the first time since the Act was proclaimed in 2000. These charges stemmed from the unauthorized use of the terms "Icewine", "Late Harvest" and "Estate Bottled" and convictions on two counts were filed at a January 2007 hearing in Provincial Offenses Court. These convictions underscore the integrity VQA provides to these terms on wine labels and ensures consumers that the terms are meaningful when used on Ontario wines.

Compliance with the VQA regulations continues to be very good. Statistics on inspections and compliance actions can be found later in this report.

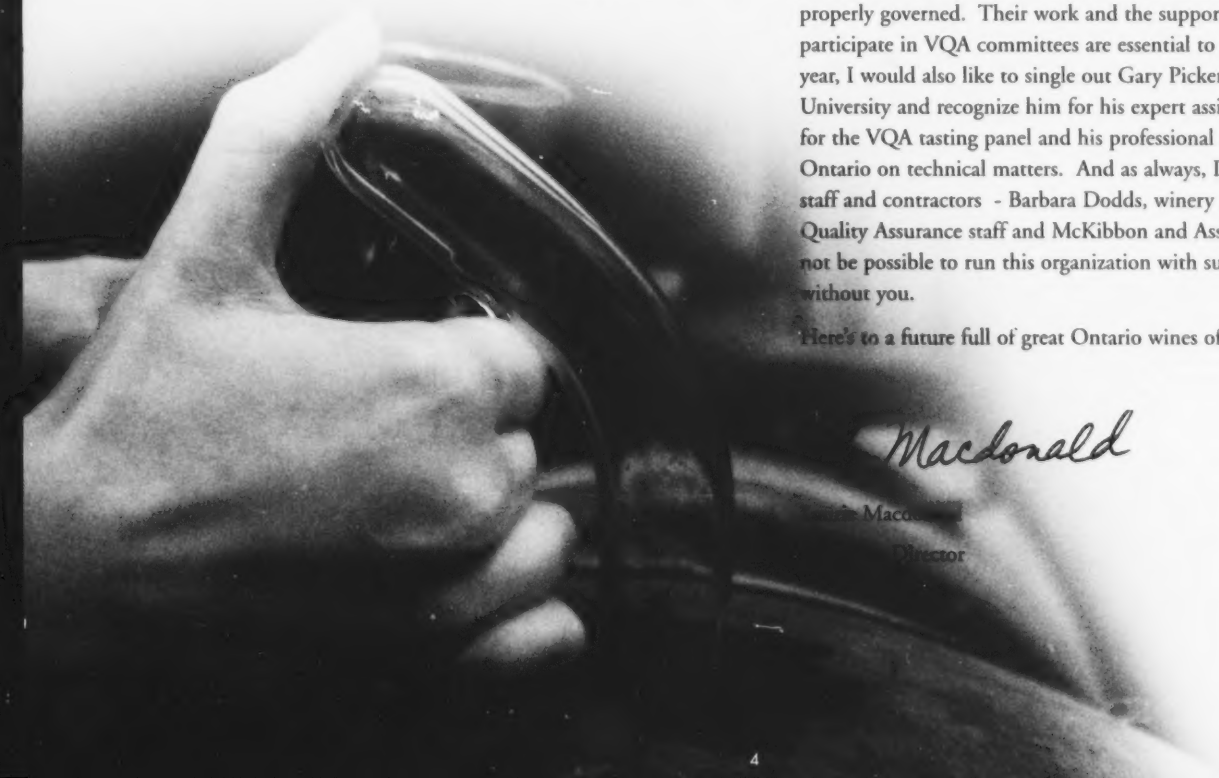
Financial management has been critical this year with the reduction in supply affecting wine sales and VQA Ontario's revenues. Tight spending controls and better than expected VQA sales resulted in only a moderate operating deficit and allowed VQA Ontario to retain a significant contingency fund. This contingency fund will be further reduced over the next few years with lower fees to members. Lower fees should be sustainable if moderate growth continues and crop shortages do not occur in the near future. Financial statements are published in the body of this report.

I am fortunate to work with a dedicated Board of Directors who give their time and advice freely to make sure VQA Ontario is properly governed. Their work and the support of those who participate in VQA committees are essential to our success. This year, I would also like to single out Gary Pickering at Brock University and recognize him for his expert assistance in training for the VQA tasting panel and his professional advice to VQA Ontario on technical matters. And as always, I must thank our staff and contractors - Barbara Dodds, winery audit staff, LCBO Quality Assurance staff and McKibbon and Associates. It would not be possible to run this organization with such efficiency without you.

Here's to a future full of great Ontario wines of origin....

Macdonald

Mac
Director



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ORGANIZATION PROFI

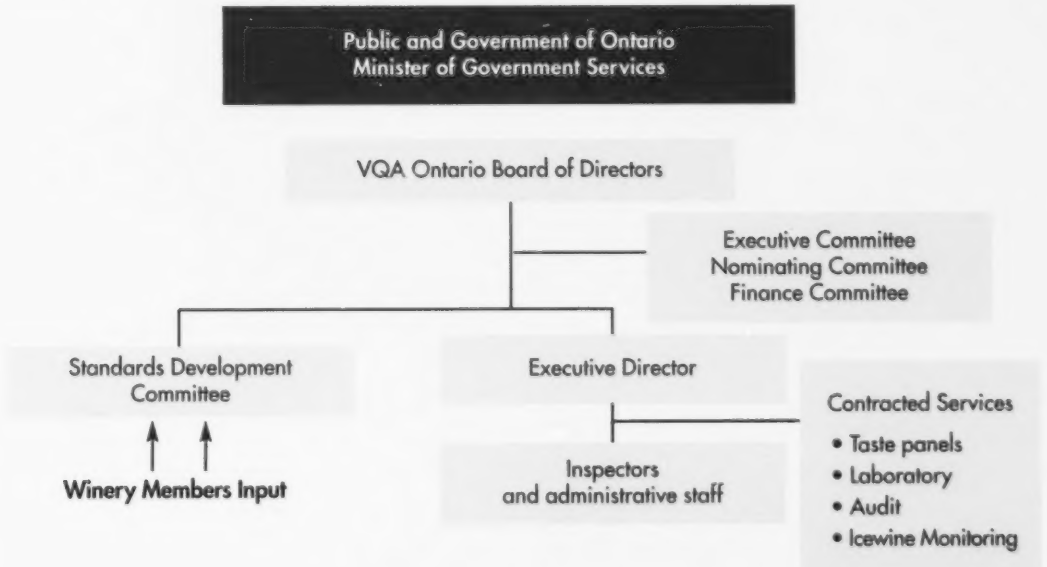
VQA Ontario was incorporated on November 26, 1998 as a not-for-profit corporation to prepare for the implementation of the *Vintners Quality Alliance Act, 1999*. The VQA Act gained royal assent on May 4, 1999 and was proclaimed into law on June 29, 2000. VQA Ontario is designated as Ontario's wine authority under the Act and is responsible for administering the VQA Act and its regulations under a detailed agreement with the Minister of Government Services.

The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the origin of grapes used, production methods and other standards. Wines produced in accordance with VQA regulations may apply for approval and, if successful, are entitled to use the terms, designations and descriptions regulated under the Act.

In addition to its primary mandate to administer and enforce standards under the VQA Act, VQA Ontario is also committed to work with other stakeholders to promote the understanding of the VQA appellation system and promote VQA wines. This includes providing educational and promotional materials and participating in national and international activities related to wine standards and trade.

VQA Ontario is governed by a Board of Directors comprised of nine members elected from its winery members and three members appointed from the Ministry of Government Services, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association. The governance structure reflects the principles of self-management, with industry representatives comprising a majority of the Board of Directors with additional representation ensuring balance and accountability. Members of the Board of Directors are listed inside the back cover.

Operations are run by a small permanent staff with assistance provided by the Liquor Control Board of Ontario on a contract for service basis.



ACTIVITY REVIEW

VQA Ontario's performance goals include upholding the provisions of the VQA Act and regulations and enhancing recognition and understanding of the VQA appellation system with a focus on origin, quality and integrity. The following reports activities during the period April 1, 2006 to March 31, 2007.

Membership

VQA Ontario ended the 2006-2007 year with 94 members including 4 large class wineries (sales of over 750,000 litres of VQA wines) 15 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 75 small wineries (sales of up to 100,000 litres of VQA wines). A total of 10 new wineries joined VQA Ontario and 2 withdrew. Moderate membership growth is expected to continue into 2008.

Periodic newsletters were distributed to members, keeping them up to date on VQA Ontario's policies and procedures and other developments affecting the industry. Seminars were also conducted for new or prospective members.

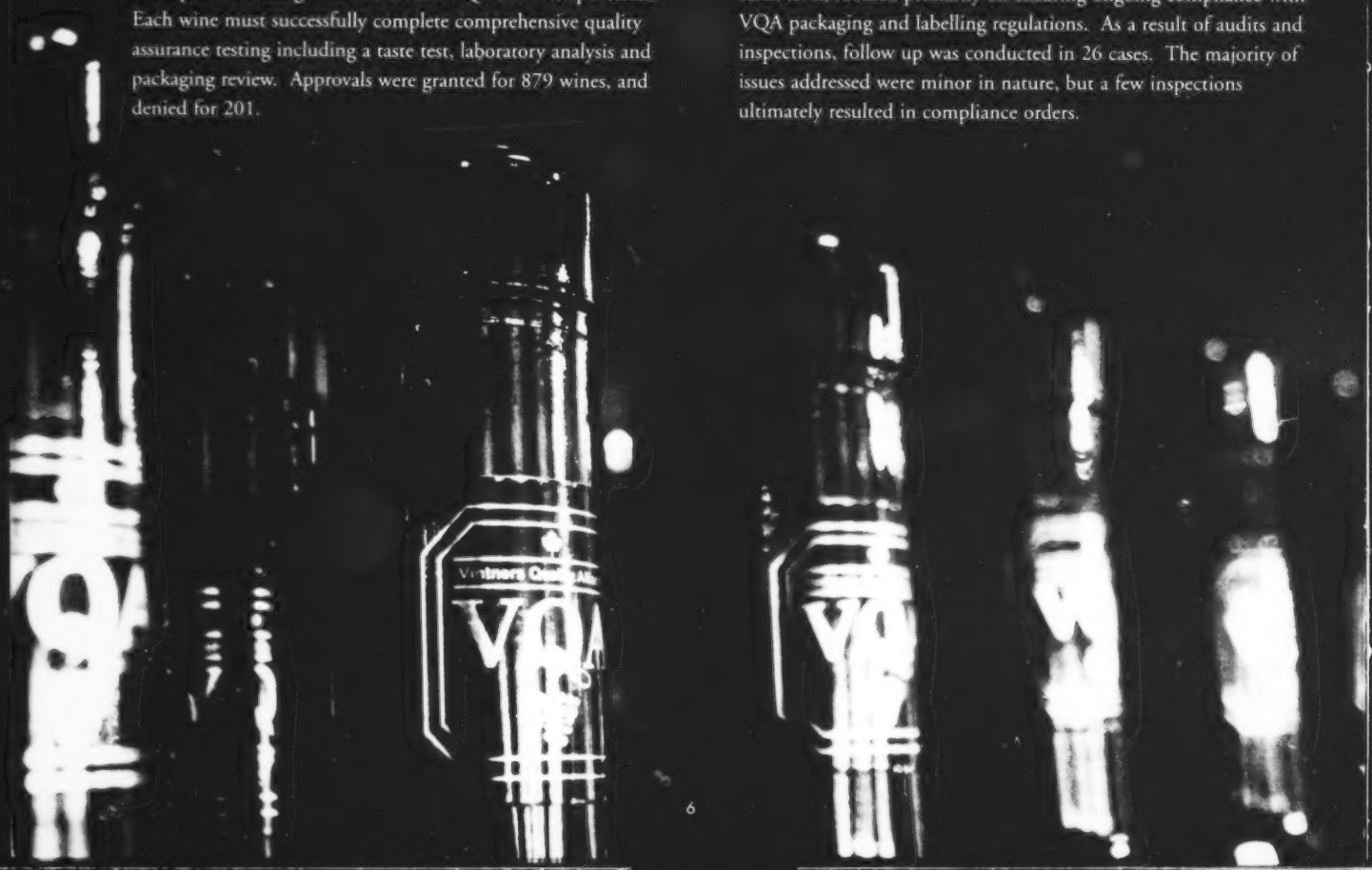
Product Approvals

1080 applications for approval to use the VQA designation and descriptive terms regulated under the VQA Act were processed. Each wine must successfully complete comprehensive quality assurance testing including a taste test, laboratory analysis and packaging review. Approvals were granted for 879 wines, and denied for 201.

- 10 new member wineries
- 879 wines approved
- 81% success rate for approvals
- Chardonnay the top production VQA varietal wine
- 115 export certificates issued
- 248 audits and inspections conducted
- 4 compliance orders issued and resolved
- 2 convictions obtained

Inspections and Audits

160 routine audits were conducted during 2006 – 2007 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to complete on-site audits on a 5 to 7 month interval, depending on their compliance record. In addition, 88 random inspections were completed at the retail level, focused primarily on ensuring ongoing compliance with VQA packaging and labelling regulations. As a result of audits and inspections, follow up was conducted in 26 cases. The majority of issues addressed were minor in nature, but a few inspections ultimately resulted in compliance orders.



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Membership

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ACTIVITY SNAPSHOT

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Enforcement

VQA Ontario issued 4 compliance orders in cases of violations of the VQA Act and Regulations. All orders involved labelling infractions and resulted in full compliance. One order resulted in charges and 2 convictions under the VQA Act. Details on enforcement activity are found later in this report.

Regulatory Review

Several minor amendments were made to the VQA winemaking regulations in 2006 including changes to the Vin de Curé category and the addition of the grape variety Aglianico.

Trade and Export Development

Along with stakeholders from industry and government, VQA Ontario continued to participate in discussions to promote recognition and acceptance of the VQA appellation standard and access to world markets. VQA Ontario provides an independent certification process required by the European Union as a condition of access to member states and also provides hygiene certificates for wines destined for Taiwan. 115 export certificates were issued last year.

An agreement on labelling pursuant to the existing Mutual Acceptance Agreement on oenological practices with the United States, Australia, New Zealand, Chile and Argentina was signed in January 2007. This completes the long-standing process to provide streamlined market access within the new world and to harmonize labelling practices where possible. The Canadian wine industry was successful in further protecting the integrity of Icewine by enshrining a definition within the international labeling agreement that will help deter misrepresentation on wine labels.

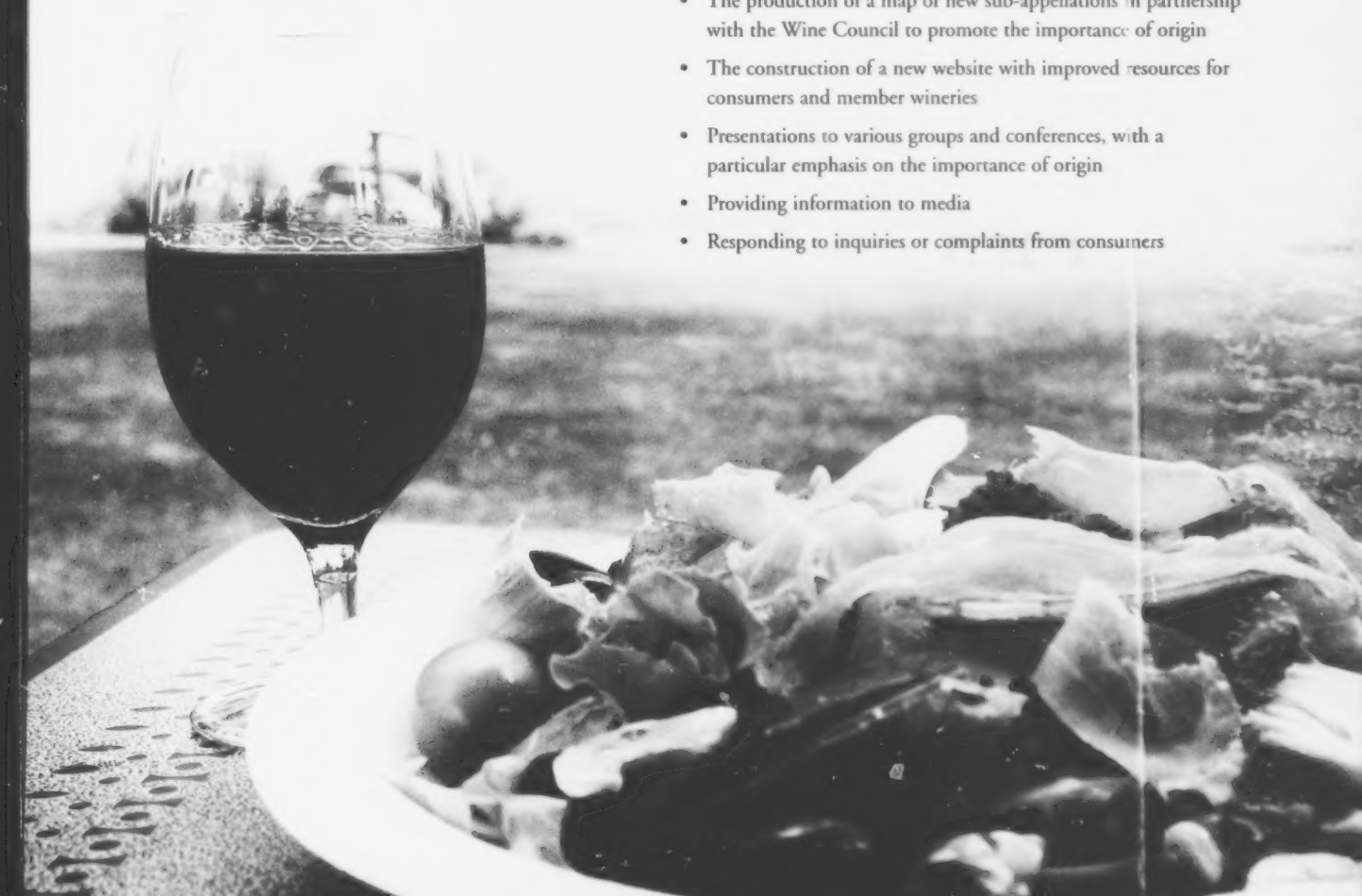
Public Education and Communications

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA wines, origin, quality standards and the value of a regulated appellation system.

The majority of financial resources in this area were devoted to the Ontario Wine Strategy program to promote and market VQA wines to Ontario consumers. Funded jointly by industry, VQA Ontario and the Province of Ontario, one of its key components is a generic marketing campaign focused on VQA wines.

Other activities included:

- The production of a map of new sub-appellations in partnership with the Wine Council to promote the importance of origin
- The construction of a new website with improved resources for consumers and member wineries
- Presentations to various groups and conferences, with a particular emphasis on the importance of origin
- Providing information to media
- Responding to inquiries or complaints from consumers



ONTARIO'S VQA WINES

The Year in Review (2006 – 2007)

VQA Wine Sales – Year ending March 31, 2007

By Volume

	Litres (2007)	Litres (2006)	% Change
Winery Retail	2,814,691	3,483,631	-19
Licensees	2,811,022	2,593,748	+ 8
LCBO (shipped)	3,500,878	3,796,468	-8
Outside of Ontario and miscellaneous	818,115	897,184	-9
Total*	**9,944,706**	**10,771,031**	**-8**

By Retail Value

	Retail value ($) (2007)	Retail value ($) (2006)	% change
Winery Retail	65,302,554	73,062,263	-11
Licensees	36,976,068	35,588,939	+4
LCBO (shipped)	56,109,779	64,257,334	-13
Outside of Ontario and miscellaneous	30,725,716	32,856,479	-6
Total*	**189,114,117**	**205,765,014**	**-8**

** Figures may not correspond exactly due to rounding errors*

VQA WINE APPROVALS AND PRODUCTION

These figures are based on volumes declared at the time a wine is submitted for VQA approval (they do not include wines that are still in process or aging prior to submission for approval)

Total number of applications for VQA approval received 1080

Total number of wines approved for VQA status 879

Total volume of approved wines ..... 11,900,000 Litres

Total estimated grape tonnage used ..... 16,400 tonnes

Production at a glance

(April 1, 2006 – March 31, 2007)

Wine Category	Number of Products	Volume (9L cases)	Change from last year (volume)
Table Wine	768	1,211,465	down 26%
Icewine	64	62,772	down 30%
Late Harvest	29	13,623	down 36%
Sparkling	13	21,552	down 42%

TABLE WINES

The table wine category includes all still wines but does not include sweet wines. The overall production of table wine was substantially reduced due to the small crop produced in the 2005 vintage. Both white and red varietal wine production was approximately half of the previous year. Most vinifera varieties suffered large declines in volume with the exception of a few where new plantings coming into production increased the availability of grapes.

Chardonnay and Riesling continue to be the most popular white varietals based on volume and Cabernet Franc remains the leading red varietal. Baco Noir and Pinot Noir also constitute a major proportion of the production of varietal red wines.

This past year was the first full year in which the new sub-appellations within Niagara Peninsula were regulated. A total of 109 wines were approved to use these terms last year, indicating a strong interest in specifying unique origin.

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Single Varietal Wines by Grape Variety

SINGLE VARIETAL	Year ending March 31, 2007		Year ending March 31, 2006		Year over Year % change (volume)
	Number of wines approved	Volume (9 L cases)	Number of wines approved	Volume (9 L cases)	
WHITE WINES					
Chardonnay	123	166,836	155	424,337	-61
Riesling	75	84,277	85	156,622	-46
Vidal	39	80,764	33	76,044	+6
Sauvignon Blanc	18	14,890	26	23,196	-36
Gewurztraminer	19	9,065	23	14,145	-36
Pinot Gris/Grigio	14	16,706	26	31,552	-47
TOTAL WHITE	**293**	**372,538**	**348**	**725,896**	**-49**
RED WINES					
Cabernet Franc	48	77,494	53	150,939	-49
Cabernet Sauvignon	35	18,467	35	92,507	-80
Merlot	28	35,011	37	57,026	-39
Gamay	24	19,150	31	35,110	-45
Pinot Noir	50	38,700	59	45,438	-15
Baco Noir	30	62,323	36	131,492	-53
Foch	7	3,834	8	8,217	-53
Shiraz/Syrah	9	3,497	8	3,680	-5
TOTAL RED	**231**	**258,476**	**267**	**524,409**	**-51**
Other (13 varietals)	30	8,780	38	54,456	-84
TOTAL	**554**	**639,794**	**653**	**1,304,761**	**-51**

WINE CATEGORY	Year ending March 31, 2007		Year ending March 31, 2006		Year over Year % change (volume)
	Number of wines approved	Volume (9 L cases)	Number of wines approved	Volume (9 L cases)	
Late Harvest	14	10,342	15	9,473	+9
Select Late Harvest	10	2,436	18	9,973	-85
Special Select Late Harvest	5	845	8	1,859	-55
TOTAL	**29**	**13,623**	**41**	**21,305**	**-36**

* *less than 5*

Sparkling and Fortified wines

WINE CATEGORY	Year ending March 31, 2007		Year ending March 31, 2006		Year over Year % change (volume)
	Number of wines approved	Volume (9 L cases)	Number of wines approved	Volume (9 L cases)	
Sparkling wines	13	18,792	19	40,657	-54
Fortified wines	*	550	*	433	+27

* *less than 5*

WINE PRODUCTION BY CATEGORY

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Late Harvest wines– (including Botrytis affected wines)

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Fortified wines	*	550	*	433	+27

ICEWINE

Icewines by Variety

SINGLE VARIETAL	Year ending March 31, 2007		Year ending March 31, 2006		Year over Year % change (volume)
	Number of wines approved	Volume (9 L cases)	Number of wines approved	Volume (9 L cases)	
Vidal	49	57,994	62	71,478	-19
Riesling	7	1,929	14	6,807	-72
Cabernet Franc	8	2,849	18	9,749	-71
Gewurztraminer	0	0	7	688	-100
Cabernet Sauvignon	0	0	*	745	-100
Other	0	0	5	808	-100
TOTAL	**64**	**62,772**	**110**	**90,275**	**-30**

** less than 5*

THE 2006 VINTAGE

After two severe winters in 2003 and 2005, the 2006 vintage followed a relatively normal winter for grape growing regions in Ontario. There were no unusually low temperatures nor were there dramatic temperature swings. This allowed the vines to overwinter without damage and set the stage for a good growing season.

Data from the Grape Growers of Ontario shows the tonnage of vinifera grape varieties rebounded strongly, with a total recorded tonnage of vinifera grape varieties of 33,220 tonnes. This is approximately 4 times the tonnage harvested during the crop failure in 2005.

Beginning in April, the growing season brought warm but often rainy and humid conditions. Sunlight hours were slightly less than normal and ripening was delayed in some areas. Harvest was generally conducted later than typical and progressed well into November as winemakers balanced the desire for additional ripeness with weather and vineyard conditions.

Late Harvest and Icewine Monitoring

As with the regular harvest, the Icewine harvest returned to a full crop. A record tonnage of grapes was registered for Late Harvest and Icewine covering a wide range of varieties. Total tonnage netted was estimated at 7222 tonnes, more than 2 times the tonnage netted in 2005 and up substantially from the previous record tonnage of 5808 tonnes recorded in 2004.

Late harvest reports were filed by November 15 for all grapes left hanging beyond that date and monitoring continued through to the Icewine harvest. Independent brix testing was conducted for all Late Harvest and Icewine grapes for the 2006 vintage harvest.

A warm December and January pushed harvest dates well into 2007 and led to a significant portion of the crop being diverted to late harvest wines or lost to birds and dehydration. One harvest opportunity arose on December 7-8, 2006 but the main harvest did not begin until unusually late in mid-January 2007, and picking continued until February 17, 2007 when the harvest was completed. Harvest and pressing was periodically delayed by long stretches of unsuitably cold temperatures.

As is typical, Vidal grapes provided a large majority of the juice pressed but 16 different vinifera varieties were also pressed for Icewine this year. Yields were slightly below average and sugar levels were good to excellent. Quality is expected to be good.

2006 Vintage Estimates – Late Harvest and Icewine

(may be adjusted when fully audited)

VARIETY	Icewine Juice (Litres)			Late Harvest Juice (Litres)		
	2006 Vintage	2005 Vintage	% change	2006 Vintage	2005 Vintage	% change
Vidal	930,343	513,392	+81	134,722	24,667	+446
Riesling	96,405	12,303	+684	22,785	4,986	+357
Cabernet Franc	116,890	14,260	+720	3,765	3,750	0
Gewurztraminer	9,804	-	-	3,190	-	-
Cabernet Sauvignon	13,055	2,030	+543	2,300	1,650	+39
Others	10,987	-	-	2,400	2,600	-8
TOTAL	**1,177,484**	**541,985**	**117%**	**169,162**	**37,653**	**+349%**

ENFORCEMENT ACTIVITY

VQA Ontario enforces compliance with the VQA Act and regulations as its primary mandate. The regulatory process starts with the monitoring of grape quality at harvest through independent sugar testing, regular auditing and reconciling of wine making processes, and record-keeping. Once the wine is finished and submitted for VQA approval, taste tests, laboratory tests and label reviews are completed. Only after having successfully completed this process can a wine receive approval and be released for sale, using designated terms and descriptions.

Last year, VQA Ontario conducted 160 full on-site audits, taking from 1 to 3 days each and an additional 88 random, unannounced retail inspections at winery retail stores and LCBO stores. As a result of these activities, a number of problems were uncovered and corrected, most related to minor labelling violations such as placement of variety names, or graphic discrepancies with the VQA logo. The most serious violations found were cases where wineries had offered VQA wines for sale before receiving approval. In most cases, these wines were intended to be VQA wines and were already engaged in the approval process. These wines were ordered removed from all channels of sale until they were approved, and in many cases, approval followed and the wines were re-released.

VQA Ontario also conducts random Quality Assurance Reviews (QARs) on VQA wines to ensure ongoing product integrity. This involves selecting approved wines on a random basis from a retail setting and re-testing these wines. This allows verification that the wine in the bottle is the same wine that was approved. This year the QAR program focused on Icewine, with carbon isotope analysis conducted on random samples to authenticate the wines.

The overall level of compliance with VQA regulations within Ontario continues to be very good. The majority of infractions are relatively minor and many are uncovered and corrected before products reach the consumer market. Winery compliance with correction requests is excellent and few infractions require enforcement action to achieve compliance.

Four investigations led to compliance orders being issued.

Charges were laid in December 2006 as a result of failure to comply with an order issued in October. The charges involved the use of VQA terms, including Late Harvest, Icewine and Estate Bottled, on labels and on the winery website to describe wines that were not approved by VQA Ontario. Two convictions were obtained in January 2007.

	Alleged Violation	Action
May 2006	Use of "Icewine" on non-VQA wine	Cease and desist order.
July 2006	Use of "Niagara" on non-VQA wine	Cease and desist order.
October 2006	Use of VQA terms (VQA, Icewine, Niagara Peninsula) on non-VQA wines	Cease and desist order.
November 2006	Use of VQA terms (Niagara Peninsula, VQA logo) before approval complete.	Wine subsequently approved. Remedial education ordered.

THE 2006 VINTAGE

After two severe winters in 2003 and 2005, the 2006 vintage followed a relatively normal winter for grape growing regions in Ontario. There were no unusually low temperatures nor were there dramatic temperature swings. This allowed the vines to overwinter without damage and set the stage for a good growing season.

Data from the Grape Growers of Ontario shows the tonnage of vinifera grape varieties rebounded strongly, with a total recorded tonnage of vinifera grape varieties of 33,220 tonnes. This is approximately 4 times the tonnage harvested during the crop failure in 2005.

Beginning in April, the growing season brought warm but often rainy and humid conditions. Sunlight hours were slightly less than normal and ripening was delayed in some areas. Harvest was generally conducted later than typical and progressed well into November as winemakers balanced the desire for additional ripeness with weather and vineyard conditions.

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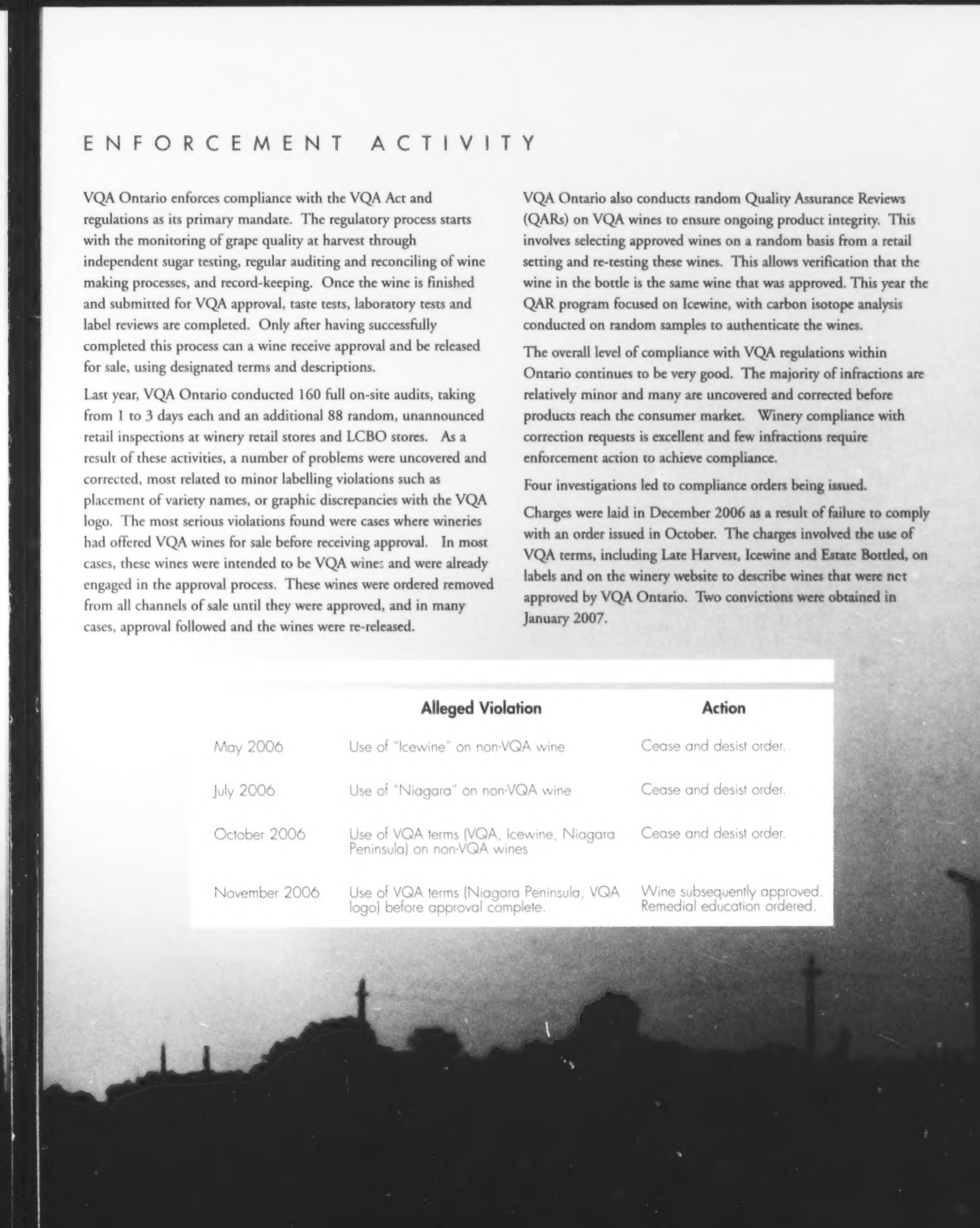

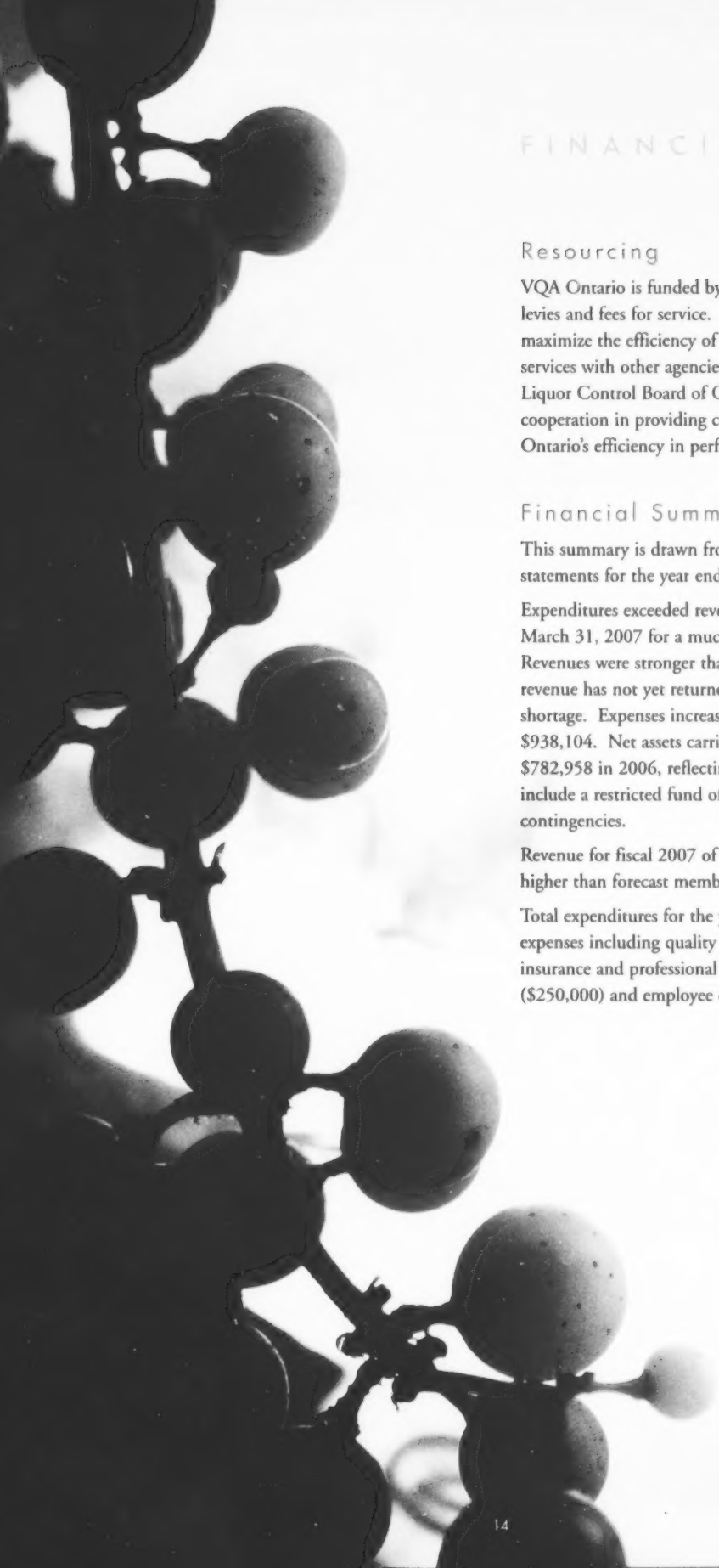

FINANCIAL REPORT

Resourcing

VQA Ontario is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery, including sharing services with other agencies. VQA Ontario acknowledges the Liquor Control Board of Ontario for its assistance and cooperation in providing contracted services that increase VQA Ontario's efficiency in performing its regulatory role.

Financial Summary

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2007.

Expenditures exceeded revenue by $51,906 for the year ended March 31, 2007 for a much smaller deficit than forecast. Revenues were stronger than expected at $895,459 but bottle fee revenue has not yet returned to levels seen before the 2003 crop shortage. Expenses increased slightly to $947,365 from $938,104. Net assets carried forward are $731,052, down from $782,958 in 2006, reflecting the operating deficit. Net assets include a restricted fund of $200,000 allocated for legal contingencies.

Revenue for fiscal 2007 of $895,459 was derived primarily from higher than forecast member bottle fees ($525,761).

Total expenditures for the year were $947,365 with major expenses including quality testing and monitoring ($273,138), insurance and professional fees ($54,936), public education ($250,000) and employee costs ($262,877).

Kopstick Osher
Chartered Accountants, LLP

Mark Kopstick C.A.
Benjamin Osher C.A.
William Genga B.Comm.
In association with
Reiner Goebel C.A.

AUDITORS' REPORT

To the Board of Directors,
Vintners Quality Alliance Ontario

We have audited the statement of financial position of Vintners Quality Alliance Ontario as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kopstick Osher

KOPSTICK OSHER
Chartered Accountants, LLP
Licensed Public Accountants

Toronto, Canada
May 31, 2007

970 Lawrence Ave. W., Suite 805, Toronto, Ontario M6A 3B6 • Tel: (416) 256-7748 • Fax: (416) 785-1026

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

	2007	2006
ASSETS		
Current		
Cash and short-term investments - Note 2	$ 769,450	$ 806,729
Accounts receivable	73,626	51,302
Interest receivable	12,522	1,450
Prepaid expenses	9,526	69,651
	865,124	929,132
Capital - Note 3	21,936	9,529
	$ 887,060	$ 938,661
LIABILITIES		
Current		
Accounts payable and accruals	$ 114,108	$ 114,973
Deferred revenue - Note 4	41,900	40,730
	156,008	155,703
NET ASSETS		
Net assets	731,052	782,958
	$ 887,060	$ 938,661

APPROVED BY THE BOARD:

Director

Director

The accompanying notes form an integral part of these financial statements.

VINTNERS QUALITY ALLIANCE ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

	Invested in capital assets	Internally restricted for legal and enforcement fund (note 5)	Unrestricted	2007 Total	2006 Total
Net assets - beginning of year	$ 9,529	$ 200,000	$ 573,429	$ 782,958	$ 824,045
Excess of revenues over expenses (expenses over revenues)	-	-	(51,906)	(51,906)	(41,087)
Purchase of capital assets	17,965	-	(17,965)	-	-
Amortization of capital assets	(5,558)	-	5,558	-	-
Net assets - end of year	$ 21,936	$ 200,000	$ 509,116	$ 731,052	$ 782,958

The accompanying notes form an integral part of these financial statements.

Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenues		
Membership fees	$ 94,000	$ 84,500
Bottle fees	525,761	581,384
Approval fees	210,545	188,807
Interest income	20,595	19,663
Other income	44,558	22,663
	895,459	897,017
Expenses		
Salaries and benefits	262,877	304,445
Contracted services	28,380	12,380
Public education	250,000	250,000
Approvals	231,074	212,520
Quality assurance and inspection	13,684	26,683
Export development and trade	5,276	2,025
Sub-appellations	6,584	-
Weather monitoring	4,000	4,000
Meetings	6,124	8,442
Travel	2,607	3,975
Rent and occupancy	38,400	39,566
Office and general	23,136	16,613
Printing and mailing	9,998	11,123
Telephone and communications	4,731	4,534
Insurance	29,439	30,405
Professional services	25,497	21,767
Recovery of professional services	-	(14,350)
Amortization	5,558	3,976
	947,365	938,104
Excess of revenues over expenses (expenses over revenues)	$ (51,906)	$ (41,087)

The accompanying notes form an integral part of these financial statements.

Kopstick Osher
Chartered Accountants, LLP

VINTNERS QUALITY ALLIANCE ONTARIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ (51,906)	$ (41,087)
Non-cash items:		
Amortization	5,558	3,976
Changes in non-cash working capital		
Accounts receivable	(22,324)	(14,050)
Interest receivable	(11,072)	13,411
Prepaid expenses	60,125	(60,865)
Accounts payable and accruals	(865)	25,880
Deferred revenue	1,170	11,305
	(19,314)	(61,430)
Cash flows from investing activities		
Purchase of capital assets	(17,965)	-
Cash flows from financing activities	-	-
Increase (decrease) in cash and short-term investments	(37,279)	(61,430)
Cash and short-term investments - beginning of year	806,729	868,159
Cash and short-term investments - end of year	$ 769,450	$ 806,729

The accompanying notes form an integral part of these financial statements.

VINTNERS QUALITY ALLIANCE ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

1. Significant accounting policies

Purpose and legal form of the organization

Vintners Quality Alliance Ontario is an independent organization that administers the Vintners Quality Alliance Act, 1999 and its regulations through an administrative agreement with the Ontario government. It establishes, monitors and enforces a system of quality assurance and verification of product origin for wines bearing the VQA logo.

Vintners Quality Alliance Ontario exists as a not-for-profit corporation without share capital. It is not subject to income tax.

Revenue recognition

Vintners Quality Alliance follows the deferral method of accounting for revenues. All revenues are recognized in the year to which they pertain.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis at the following annual rates:

Computer equipment and software	20%
Office furniture and equipment	20%

Contributed materials and services

The organization receives substantial contributed services from members and others through participation on the Board of Directors and other committees. Because of the difficulty in determining their fair value, such services are not recorded in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Short-term investments

Short-term investments consist of three guaranteed investment certificates totalling $600,000, maturing between April, 2007 and July, 2008 and bearing interest at rates between 2.25% and 4.0%.

Short-term investments are stated at cost which equals market value.

VINTNERS QUALITY ALLIANCE ONTARIO

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

3. Capital assets

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Computer equipment and software	$ 27,023	$ 6,609	$ 20,414	$ 6,560
Office furniture and equipment	7,234	5,712	1,522	2,969
	$ 34,257	$ 12,321	$ 21,936	$ 9,529

4. Deferred revenue

Deferred revenue represents membership fees and product approval fees received, which relate to the subsequent year.

5. Net assets internally restricted for legal and enforcement fund

Net assets of $200,000 have been restricted for the purpose of funding costs of enforcing adherence to the regulations of the Vintners Quality Alliance Act.

6. Commitments

The organization has a 5 year sub-lease with the LCBO effective April 1, 2003 for space it occupies. Rent over the remaining 1 year is $38,400.

7. Financial instruments

The organization's financial instruments consist of bank and short-term investments, accounts receivable, interest receivable and accounts payable and accruals.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the financial instruments approximate their cost.

8. Comparative figures for the prior year

Certain figures for 2006 have been reclassified to make their presentation identical to that adopted in 2007.

VINTNER'S QUALITY ALLIANCE ONTARIO

Greg Berti
Andrew Peller Ltd.
President and Chair, VQA Ontario

Paul Speck
Henry of Pelham Family Estate Winery
Vice-Chair, VQA Ontario

Ken Douglas
Thirteenth Street Winery
Secretary / Treasurer, VQA Ontario

Len Pennachetti
Cave Spring Cellars
Past-Chair, VQA Ontario

Paul Lizak
Legends Estate Winery

Rob Scapin
Viscot Consultant

Brian Schmidt
Vineland Estates Winery

Walter Schmoranz
Pelee Island Winery

Newman Smith
Strewn Inc.

Mary Shenstone
Ontario Ministry of Government Services

William George Jr.
Grape Growers of Ontario

Tony Elenis
Ontario Restaurant, Hotel and Motel Association

Laurie Macdonald, VQA Inspector
Barbara Dodds, VQA Inspector

Laurie Macdonald, Executive Director
Barbara Dodds, Executive Assistant

Photo Credit: 2017

Niagara Appellation Map Illustration

Design

VINTNER'S QUALITY ALLIANCE ONTARIO

BOARD OF DIRECTORS
MARCH 31, 2007

Officers

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Andrew Peller Ltd.
President and Chair, VQA Ontario

Paul Speck
Henry of Pelham Family Estate Winery
Vice-Chair, VQA Ontario

Ken Douglas
Thirteenth Street Winery
Secretary/Treasurer, VQA Ontario

Len Pennachetti
Cave Spring Cellars
Past-Chair, VQA Ontario

Directors – elected from membership

Paul Lizak
Legends Estate Winery

Rob Scapin
Vincor Canada

Brian Schmidt
Vineland Estates Winery

Walter Schmoranz
Pelee Island Winery

Newman Smith
Strewn Inc.

Directors-appointed

Mary Shenstone
Ontario Ministry of Government Services

William George Jr.
Grape Growers of Ontario

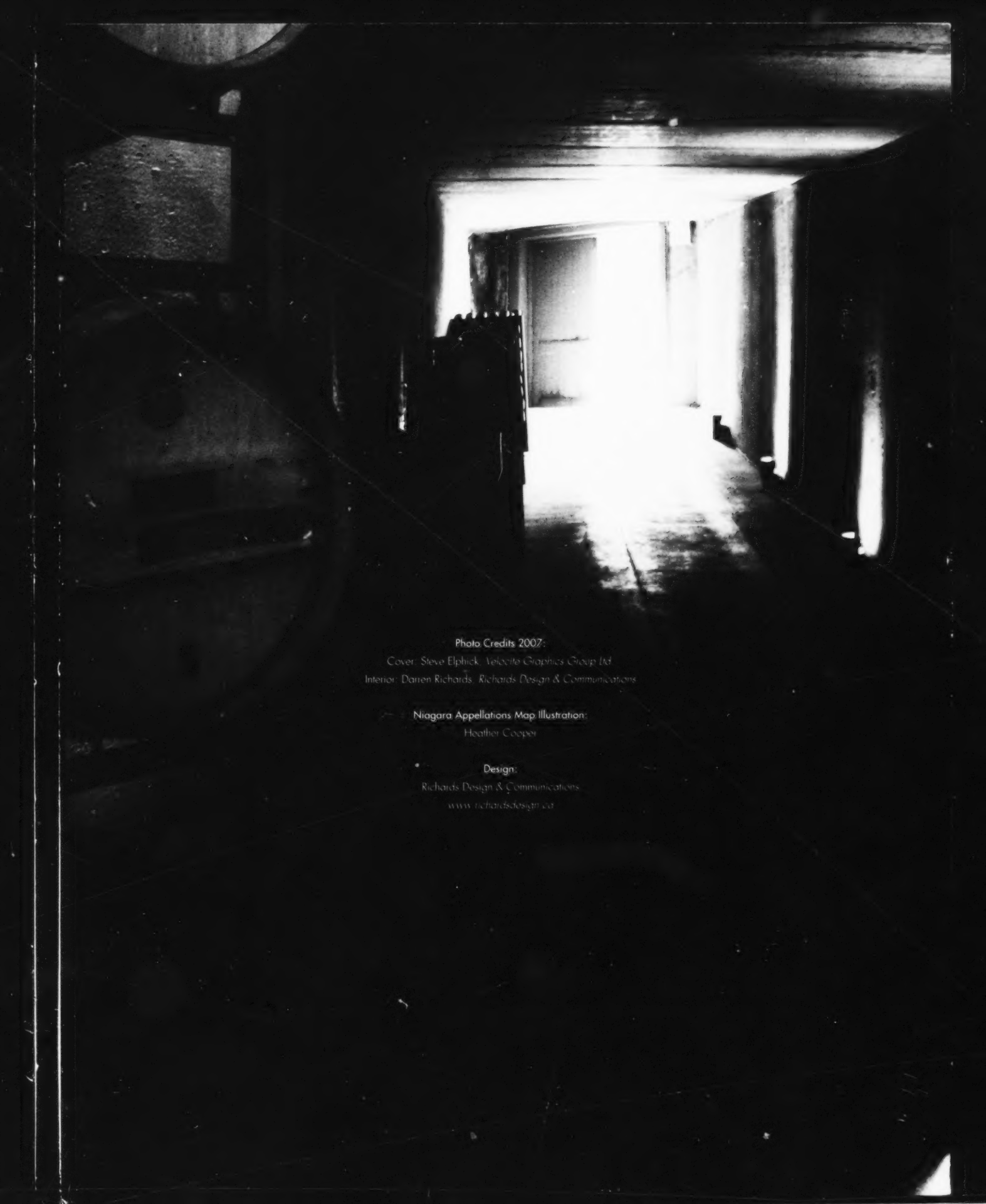
Tony Elenis
Ontario Restaurant, Hotel and Motel Association

Statutory Appointments

Laurie Macdonald, VQA Inspector
Barbara Dodds, VQA Inspector

VQA Ontario staff

Laurie Macdonald, Executive Director
Barbara Dodds, Executive Assistant



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Interior: Darren Richards, *Richards Design & Communications*

Niagara Appellations Map Illustration:

Heather Cooper

Design:

Richards Design & Communications

www.richardsdesign.ca

VQA Ontario
1 Yonge Street
Suite 1601
Toronto, ON M5E 1E5

Tel: 416-367-2002
Fax: 416-367-4044

www.vqaontario.ca